



Australian Bureau of Statistics

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Special Article - Stock of Human Capital

Human capital is an important concept in modern economics and in economic policy discourse. Unfortunately, direct measures of human capital stocks are available for very few countries. The ABS has recently produced experimental measures of the stock of human capital for Australia full details of which are available in the following paper.

Working Papers in Econometrics and Applied Statistics: No 2004/1 Measuring the Stock of Human Capital for Australia (cat. no.1351.055.001)

These estimates are based on a 'lifetime labour income approach'. This method measures the stock of human capital as the discounted present value of expected lifetime labour market income. Expected income streams are derived by using cross-sectional information on labour income, employment rates and school participation rates. This approach is also able to account for the effect on human capital formation of current schooling activities – that is, it can account for additional human capital embodied in those individuals who are still participating in formal schooling and who anticipate improved employment and income prospects as a result.

Using the full Australian Census data for 1981, 1986, 1991, 1996 and 2001, this work provides five snapshots of age-earnings profiles for four categories of educational attainment for both men and women over this twenty year period. Based on these age-earnings profiles, per capita measures of lifetime labour market incomes are derived for each age/sex/education cohort, and they are applied to the number of people in the corresponding group. It then aggregates across all groups to estimate the human capital stock for Australia, which are presented in the following table.

MEASURES OF HUMAN CAPITAL STOCK(a)

		1981 \$b	1986 \$b	1991 \$b	1996 \$b	2001 \$b
Male	Higher degree	15.15	29.40	67.82	109.73	160.27
	Bachelor degree	77.71	164.80	300.73	461.47	659.28
	Skilled labour	250.77	452.89	662.91	827.02	1,104.18
	Unqualified	378.91	651.66	941.76	1,133.31	1,351.96
	Sub Total	722.54	1,298.75	1,973.21	2,531.53	3,275.69
Female	Higher degree	3.34	7.58	21.77	45.38	88.70
	Bachelor degree	31.42	78.99	192.13	337.94	570.21
	Skilled labour	100.25	194.72	266.89	342.22	463.99
	Unqualified	331.10	538.15	777.47	996.05	1,177.07
	Sub Total	466.11	819.44	1,258.26	1,721.60	2,299.97
Total		1,188.65	2,118.18	3,231.47	4,253.13	5,575.66

(a) Billions of current dollars

These estimates show that there has been a significant increase in the stock of human capital in Australia over the 20 year period, characterised by sharply rising shares of total human capital attributable to more educated workers.

For more information see Working Papers in Econometrics and Applied Statistics: No 2004/1 Measuring the Stock of Human Capital for Australia (cat. no.1351.055.001) available on the ABS website.

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